MEMORANDUM OF UNDERSTANDING

BETWEEN

TOQUOP ENERGY, LLC

AND

STATE OF NEVADA

This Memorandum of Understanding ("MOU") between Toquop Energy, LLC ("the Company") and the State of Nevada (State of Nevada – Department of Conservation & Natural Resources – Division of Environmental Protection) or "NDEP") (each, a "Party" and collectively the "Parties") is entered into as of November 20, 2007.

I. RECITALS

WHEREAS, the Company has proposed to construct an electrical generation facility in Lincoln County, Nevada (the "Facility"). The Facility would produce electricity using coal. As with the combustion of any fossil fuel, by using coal, the Facility will produce carbon dioxide ("CO2") emissions. CO2 is a greenhouse gas ("GHG").

WHEREAS, there is concern that an increase in world-wide GHG emissions may contribute to a change in global climate. How to address GHG emissions – while balancing energy demand, economic growth, and national security – is a matter of considerable debate. Based on currently applicable laws and regulations there are no requirements that would impose emissions limitations or controls on CO2.

WHEREAS, in the State of Nevada, the matter of GHG's is presently under review. By Executive Order on April 10, 2007, Governor Jim Gibbons formed a 15-member Nevada State Climate Change Advisory Committee. The Committee represents a wide spectrum of viewpoints in Nevada and is charged with providing a final report and recommendations to the Governor on how Nevada may further reduce GHG emissions, including through the use of renewable energy sources.

WHEREAS, the State of Nevada recognizes that electrical energy generation from coal is an important part of a diversified energy portfolio, providing greater assurance of sufficient, reliable, and cost-effective electrical energy.

WHEREAS, at present, there is no large scale technology, currently available, to capture CO2 emissions ("CO2 Capture technology") from facilities of this type. Nor are there commercial prototypes of CO2 Capture technology available for such facility. The Parties believe, however, that the Facility can be designed and constructed to be "Carbon Capture Ready" so that the

Facility may in the future be retrofitted to capture CO2 emissions and sequester and/or appropriately manage the emissions in a suitable manner when CO2 Capture technology is demonstrated to be feasible and commercially available and can be implemented in a cost effective manner.

NOW, THEREFORE, and in consideration of the foregoing, the Company and NDEP enter into this MOU, whereby, the Company commits to use commercially reasonable efforts to design the Facility in a manner that is "Carbon Capture Ready".

II. COMMITMENT FOR CARBON CAPTURE READY FACILITY

A. Facility Covered By the MOU. The Company is proposing to build the following Facility in Nevada subject to this MOU: a 750-megawatt supercritical coal-fired power plant in Lincoln County, Nevada.

B. Other Facilities. NDEP will engage and negotiate with any applicant for a new coal-fired power plant in an effort to secure an MOU establishing a commitment whereby such applicant agrees to the design, installation, and operation of carbon capture and sequestration consistent with this MOU. Therefore, the NDEP agrees that if other person(s) propose additional coal-fired power projects in this State (including projects proposed as of the date of this MOU), NDEP will seek to reach an understanding with those persons regarding CO2 Capture technology, as provided for in this MOU. If any new coal-fired facility goes forward with a less onerous commitment, a true and complete copy of such commitment shall be provided to the Company and the less onerous aspects of such commitment will replace such commitment in this MOU. If any new coal-fired facility in the State of Nevada is allowed to proceed without such a commitment, this MOU will terminate effective immediately and without further action of the Parties upon the commencement of on-site construction of such facility.

C. The Company's commitment to "Carbon Capture Ready" Facility.

1. CO2 Capture technology for coal fired power plants has not been demonstrated on a large scale and it is not yet commercially available. There are no commercial prototypes available at this time for facilities of this type.. It is likely that significant improvements in CO2 Capture technology will occur before CO2 Capture technology is demonstrated on a large scale and is deemed commercially available. It is therefore understood and agreed that no CO2 Capture technology or method can or should be specified at this time.

2. The Company will, however, use commercially reasonable efforts to design and construct the proposed Facility in a manner intended to be "Carbon Capture Ready" (as defined herein) based upon currently available information to determine such design and construction so

that the Facility may be retrofitted in the future with CO2 Capture technology to capture and sequester and/or appropriately manage CO2 emissions from the Facility in a suitable and safe manner. Specifically for purposes of this MOU, "Carbon Capture Ready" means that the Company will (a) set aside (i) real estate (approximately 2 acres of land per boiler) in the general vicinity of the main boiler stack to allow for the design, installation and operation of future CO2 capture equipment and (ii) any additional space which may be required for compression and other needed systems that would be located elsewhere in the site up to 5 acres and (b) will design the Facility such that ducting can be configured and constructed to divert exhaust gases to a CO2 capture system.

3. The Company's commitment to construct a Carbon Capture Ready plant is contingent on the Company receiving all necessary permits and approvals and financing for the Facility. The commitment is also subject to the Company's own independent decision to proceed with the Facility.

4. Subject to receiving all necessary permits and approvals for the implementation of the CO2 Capture technology and sequestration ("CC&S"), the Company will, except as otherwise provided herein, design, construct, install and operate CO2 Capture technology at its Facility, when a final determination has been reached in accordance with this section that such technology and associated sequestration has been demonstrated to be technologically feasible on a large scale basis and is deemed commercially viable for the Facility. A preliminary determination of technical feasibility and commercial viability for the Facility will be made by the NDEP based on its assessment of advances in the development of CC&S technology and the actual commercial deployment and reliable operation of carbon capture equipment (other than through publicly funded demonstration projects), sequestration viability including the location of areas in which carbon emissions from the Facility might be sequestered, the transport of carbon to such locations, the direct application of the foregoing to the Facility and other relevant information. In making its preliminary determination, NDEP will evaluate information and analyses regarding the state of development of CC&S technology. Such information and analyses may include but are not limited to information and analyses generated by the U.S. Environmental Protection Agency, the U.S. Department of Energy National Energy Technology Laboratory, and the West Coast Regional Carbon Sequestration Partnership (known as WESTCARB).

Following a preliminary determination by NDEP that CC&S is technically feasible and commercially viable for the Facility, and provided that the Public Utility Commission of Nevada ("PUCN") has made a determination for a regulated utility in Nevada that CC&S is commercially available and has agreed to allow for the recovery of all the CC&S related costs and the utility has committed to proceed with the implementation of a large-scale CC&S project, NDEP shall provide a notice of its preliminary determination to the Company. The determination by the PUCN referred to in the prior sentence will establish a presumption that CC&S is commercially available for the Facility unless the Company provides a written response rebutting such presumption. The written response must be made within ninety (90) days of the Company's receipt of the NDEP notification. The Company's written response must set forth with particularity any distinguishing factors between the plant for which the PUCN determined CC&S

to be commercially available and the Facility, including but not limited to significant differences in the respective designs of the plants as the same might enhance/limit the application of CC&S technology, options for carbon sequestration, lack of vendor readiness to provide industry customary commitments and guarantees for the implementation and operation of CC&S projects, inability to obtain firm cost recovery of all CC&S related cost either through power purchase agreements or federal or state funding and other energy, environmental and economic factors associated with CC&S technology as applied to the Facility.

At the request of either Party, input from a mutually agreed third party engineering consultant with expertise in CC&S technology shall be received in order to inform the determination. A final determination of the technical feasibility and commercial viability of CC&S will require a consensus agreement between NDEP and the Company. Any final determination shall be made consistent with then-current applicable laws and regulations. If the Parties can not reach consensus, NDEP will initiate a rulemaking process on this issue in accordance with the Nevada Administrative Procedure Act.

5. In addition, the Parties anticipate that the applicable legal requirements may be very different at the time a final determination may be made that CC&S is technically feasible and commercially available. Accordingly, notwithstanding the commitment set forth in paragraph C.4 above, in the event that state or federal laws regulating CO2 emissions, including the establishment of CO2 emission limitations, CO2 capture and storage requirements, or the establishment of a cap-and-trade or carbon tax program, are enacted that are applicable to the Facility, the Company's compliance with such laws will satisfy and supersede the commitment set forth above and this MOU shall terminate. For purposes of this paragraph, laws regulating CO2 emissions shall not be deemed to include laws that simply create GHG monitoring and reporting requirements or laws that impose other, nonsubstantive or administrative requirements. If either of the Parties believes that changes in state or federal law have occurred that may result in termination of this MOU, the Parties agree to meet and discuss the change(s). The Parties agree to compare the change(s) in state or federal law with the requirements of this MOU. The MOU will not be terminated if the Parties agree that the change in state or federal law results solely in a GHG monitoring and reporting requirement or a nonsubstantive or administrative requirement.

6. The Parties agree that nothing in this MOU should be read to require the environmental impact statement for the Facility to consider CC&S in the course of the review of potential impacts of the proposed Facility.

7. This MOU is intended to be binding only as to the specific obligations of the Parties set forth herein. This MOU does not commit the Company to proceed with the implementation of CO2 Capture technology at the Facility, unless or until a final determination has been made subject to the conditions set forth in paragraphs C.4 and C.5 above.

D. Advancement of Research. The Parties acknowledge that much research is

underway by the public, academic and private sector to advance CO2 Capture technology and to increase understanding of sequestration opportunities. The NDEP encourages the Company to pool resources with the public, academic and/or private sector to advance such research. The Company will provide the NDEP with periodic reports summarizing the results of the research the Company, or its affiliates, are involved with that has the potential to be applicable to CC&S at the Facility.

III. MISCELLANEOUS

A. Notices. Any notices required under this MOU shall be in writing and shall be deemed to have been duly given if sent via a national overnight courier service or by certified mail, return receipt requested, postage prepaid, addressed to the Parties as follows:

To Nevada:

State of Nevada – Division of Environmental Protection
Attn: Administrator
901 So. Stewart Street, Ste 4001
Carson City, NV 89701-5249
(775) 687-4670

State of Nevada – Division of Environmental Protection
Bureau of Air Quality Planning
Attn: Section Chief
901 So. Stewart Street, Ste 4001
Carson City, NV 89701-5249
(775) 687-9329

To the Company:

Toquop Energy, LLC
Three Riverway, Suite 1100
Houston, TX 77056
(713) 499-1156
Attention: Dirk Straussfeld, Executive Vice President

or to such other address as any Party shall request of the others by giving written notice.

B. Amendments. This MOU may not be amended, changed or modified except by a written document signed by each of the Parties.

C. Limitation. Nothing contained in this MOU shall be construed as a defense against any future statutory or regulatory requirement.

D. Regulations. Nothing in this MOU shall be deemed as prohibiting the State Environmental Commission from promulgating regulations applicable to greenhouse gas emissions and the Facility.

E. Successors and Assigns. This MOU shall apply to the Parties and their respective successors and assigns.

F. No Third Party Beneficiaries. This MOU is intended for the sole benefit of the Parties, and the Parties do not intend to create any other third party beneficiaries or otherwise create privity of contract with any other person.

G. Authorized Representative. Each undersigned representative of the Parties certifies that he or she is fully authorized to enter into this MOU and to execute this document for the Party he or she represents.

H. Counterparts. This MOU may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

NOW, THEREFORE, and in consideration of the foregoing, the Company and NDEP enter into this MOU, whereby, the Company commits to use commercially reasonable efforts to design the Facility in a manner that is "Carbon Capture Ready".

STATE OF NEVADA acting by and through the Nevada Division of Environmental Protection

Leo M Drozdoff — 11/20/07

Name: Leo M. Drozdoff — Date
Title: Administrator

TOQUOP ENERGY, LLC

D Strauss — 11/20/07

Name: Dirk Straussfeld — Date
Title: Executive Vice President